1212 Deming Way, Suite 350
Madison, WI 53717-1965

Telephone: 608-663-3330
FAX: 608-663-3340

TDS METROCOM

September 27, 2001

DOCKET FILE COPY ORIGINAL

Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20054

RECEIVED
OCT - 2 2001
FCC MAIL ROOM

Re: CC Docket Number 96-262

Dear Ms. Salas:

On behalf of TDS METROCOM, a Competitive Local Exchange Carrier (CLEC) serving small and medium sized markets in Illinois, Michigan and Wisconsin, the attached letter concerning CLEC access charges was sent by James W. Butman, the Company's President & General Manager, to each Commissioner as well as the Commission staff members identified at the end of the letter.

If you have any questions concerning this matter, please contact me.

Sincerely,

Mark Jenn
Manager - Federal Affairs
TDS METROCOM
608.664.4196

No. of Copies rec'd 0
List ABCDE

1212 Deming Way, Suite 350
Madison, WI 53717-1965

Telephone: 608-663-3330
FAX: 608-663-3340

TDS METROCOM

September 27, 2001

Chairman Michael K. Powell
Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
Federal Communications Commission
445 12th St. SW
Washington DC 20554

RECEIVED
OCT - 2 2001
FCC MAIL ROOM

Re: TDS METROCOM Petition for Reconsideration of the *CLEC Access Charge Order* (In the Matter of Access Charge Reform, *Seventh Report and Order and Further Notice of Proposed Rulemaking*, CC Docket No. 96-262, FCC 01-146, 2001, released April 27, 2001.)

Dear Mr. Chairman and Commissioners:

This letter, submitted on behalf of TDS METROCOM, provides specific, concrete examples of the direct effect that the Commission's *CLEC Access Charge Order* has had on TDS METROCOM's ability to obtain support for the deployment of competitive facilities in additional markets. TDS METROCOM is a facilities-based competitive local exchange carrier serving mostly small to medium-sized markets in Illinois, Michigan and Wisconsin with a heavy focus on residential and small business customers. In fact, over 45% of TDS METROCOM's 115,000 lines belong to residential customers. It is also important to note that TDS METROCOM has deployed extensive fiber and switching facilities throughout its areas of operation.

TDS METROCOM's business strategy has always incorporated a need to be the number one competitive carrier in any target market. Because of our Company's desire to bring competition to small and medium-sized cities it is imperative that we attract both residential and business customers and deeply penetrate each market. Only in this way can we overcome the higher costs associated with competing in less densely populated areas and justify the expense of deploying alternative facilities. With company size and serving area characteristics as influential factors, TDS METROCOM established access rates that reflected the cost of providing access services in our chosen markets.[1]

[1] TDS METROCOM compiled a significant amount of data comparing the cost characteristics, demographics and serving area density of similarly situated ILECs - medium to large independent LECs participating in the NECA pool. Accordingly, TDS METROCOM had set its access rates at approximately 4 cents per minute prior to the Commission's *CLEC Access Charge Order*.

The pent up demand for a competitive alternative in the communities that we serve has been nothing short of astounding. Based on new customer additions it appeared as though we were well on our way to meeting the goals of our business plan and were ready to dive into new markets. The Commission's *CLEC Access Charge Order* has changed all of that. When reducing CLEC interstate access rates and transitioning them down to RBOC levels, the Commission did nothing to account for the differing cost characteristics and serving area profiles of many competitive carriers like TDS METROCOM. Proposals such as ALTS GREAT Plan and TDS METROCOM's own plan as outlined in the reply comment phase of the docket saw the need for a regulatory framework that was appropriate for all CLECs, not only those operating in Tier 1 markets or extremely rural areas. Yet the Commission did not incorporate those suggestions in its final order. Additionally, the Commission's restriction that access rates in new markets immediately be forced down to RBOC levels was misguided and anti-competitive. The view that the cost of providing access services by new entrants, most particularly in new markets, should be the same as that of an ILEC who may be hundreds of times larger with up to 100% market share is not supported by the evidence presented in the Commission's proceeding.

The *CLEC Access Charge Order* has had a significant, but presumably unintended effect on TDS METROCOM's expansion plans. When a list of potential new markets was compiled by our leadership team in the spring of 2001 they included such metropolises as Little Chute, Kaukauna, Manitowoc and Sheboygan, Wisconsin; Comstock Park and Osthemo, Michigan; and Holland and Muamee, Ohio. However, based on the new regulatory regime created by the *CLEC Access Charge Order* it quickly became apparent that low density communities such as these could never yield enough revenue to justify facility-based competition in an environment that also included below-cost access rates. Local service packages and end user charges would need to be priced at levels far too high to be competitive in order to subsidize access rates being transitioned down to RBOC levels or being set there immediately. The problem is exacerbated by the fact that RBOC retail rates in many areas have been held down by state Commissions for public policy reasons but unbundled loop prices in these same areas are feeling upward pressure as states implement geographic UNE rate deaveraging. The only alternative was to change the focus of expansion planning to larger, more densely populated areas, denying the residential and business customers in a number of smaller communities the potential benefits associated with competitive entry by TDS METROCOM.

Accordingly, new plans were developed by the Company's leadership team that included larger cities such as a cluster in the Cleveland-Akron-Canton area, and additional exchanges in the Milwaukee, Detroit and Chicagoland areas. When these new plans were presented to our corporate investors this summer and again in early fall, they did not gain approval and have been placed on hold indefinitely. The most significant reason for this action is the negative impact on expected revenues resulting from the *CLEC Access Charge Order*. Even in large, densely-populated areas, a company the size of TDS METROCOM that lacks the scale and scope economies of the huge RBOCs and national CLECs may never be able to overcome the need to keep access rates at artificially low, RBOC levels.

TDS METROCOM implores the Commission to act on its Petition for Reconsideration by modifying the punitive transition mechanism it established and eliminating the new market restriction that clearly discourages the advancement of competition especially in small to medium sized communities. Every day that goes by without resolution delays the expansion of competition even longer. Because it takes 10-12 months to add new collocation sites in existing markets and 15-18 months from the time TDS METROCOM gains approval to complete the launch of a new facilities-based market, expedient Commission action is imperative. I would be happy to further discuss my concerns with each of you and your advisors at your convenience.

Respectfully Submitted,

By: 
James W. Butman
President & General Manager
TDS METROCOM
1212 Deming Way
Suite 350
Madison WI 53717

Cc:

Kyle Dixon, Legal Advisor, Chairman Michael K. Powell
Matthew Brill, Common Carrier Legal Advisor, Commissioner Kathleen Q. Abernathy
Jordan Goldstein, Senior Legal Advisor, Commissioner Michael J. Copps
Paul Margie, Legal Advisor, Commissioner Michael J. Copps
Sam Feder, Interim Senior Legal Advisor, Commissioner Kevin J. Martin
Dorothy Attwood, Chief, Common Carrier Bureau
Jeffrey Carlisle, Senior Deputy Chief, Common Carrier Bureau
Glenn Reynolds, Associate Chief, Common Carrier Bureau
Jeffrey Dygert, Associate Chief, Common Carrier Bureau